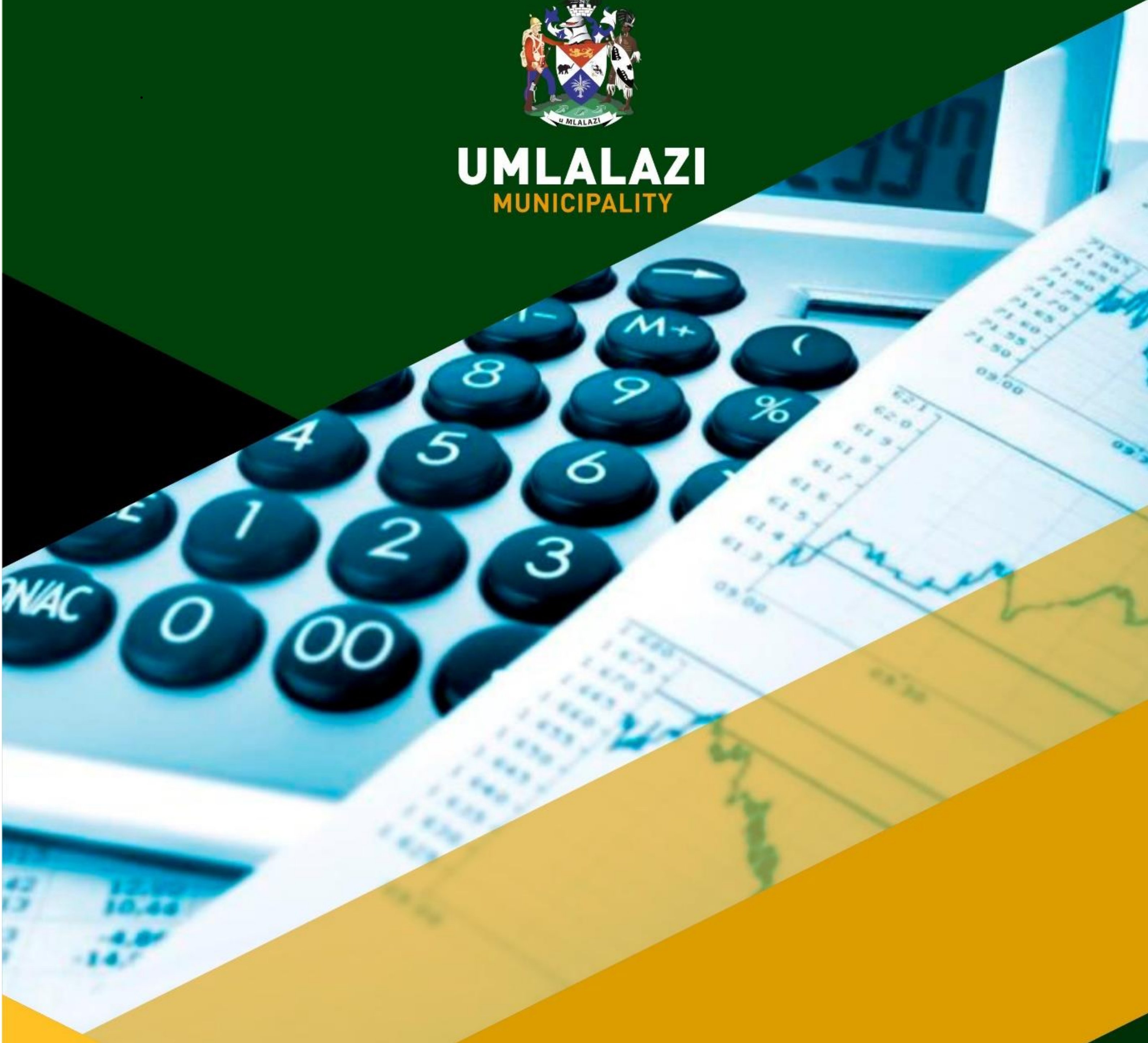
UMLALAZI
MUNICIPALITY



UNAUDITED ANNUAL FINANCIAL STATEMENTS

2018/2019

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Local Authority (Municipality)
Members of the Council	TB Zulu (Mayor and Chairperson of the Executive Committee BP Simelene (Deputy Mayor and member of the Executive Committee) ME Dlamini (Chief Whip) CT Dlamini (Speaker) CM Gamede (Member of the Executive Committee) MM Khanyile (Member of the Executive Committee) SB Larkan (Member of the Executive Committee) NL Ngidi (Member of the Executive Committee) JK Powel (Member of the Executive Committee) MH Qwabe (Member of the Executive Committee) I Woolatt (Member or the Executive Committee) QT Xulu (Member of the Executive Committee)
Councillors	EZ Jaffe LB Biyela ZL Buthelezi SS Cele SV Chamane JC Erasmus AB Dlamini SB Dlamuka M Dludla IMM Filand M Govindsamy TV Jiyane NNF Luvuno BC Magwaza JT Magwaza SG Mbambo N Mbuyisa SF Mdletshe MF Mdluli G S Mkhize N M Mnqayi MB Mthiyane WP Mzimela S Naicker MT Ncanana MM Ngema WL Ngema BD Ngidi SF Ngonyama NB Nkala MZ Nkwanyana SS Ntsele TE Ntsele MG Ntuli MMM Ntuli

General Information

	NG Ntuli BN Shandu PTO Shange BC Sithole HS Thango NS Zulu BL Zungu
Grading of local authority	Grade 03
Accounting Officer	RP Mnguni
Chief Financial Officer (CFO)	ZN Mhlongo
Business address	Hutchinson Street Eshowe 3815
Postal address	P O Box 37 Eshowe 3815
Bankers	First National Bank
Auditors	Auditor-General South Africa
Preparer	The financial statements were internally compiled by: SS Mbuyazi Deputy CFO
Email address	mm@umlalazi.org.za
Telephone number	035-4733474
Fax number	035-4744733

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Certification by the Accounting Officer

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 85 in terms of Section 126 (1) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 36 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of the Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Co-operative Governance and Traditional Affairs' determination in accordance with this Act.

Accounting Officer

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018
Assets			
Current Assets			
Inventories	2	3 116 475	3 257 026
Receivables from exchange transactions	3	15 075 814	12 744 920
Receivables from non-exchange transactions	4	24 416 279	15 103 178
VAT receivable	5	2 546 744	5 637 579
Current potion of loans receivable	13	15 349	15 349
Cash and cash equivalents	6	113 168 345	99 770 810
		158 339 006	**136 528 862**
Non-Current Assets			
Investment property	10	18 782 000	17 879 000
Property, plant and equipment	7	800 171 243	799 746 821
Intangible assets	9	572 988	481 579
Heritage assets	11	10 311 344	10 311 344
Investments	12	1 000	1 000
Loans Receivable	13	22 858	649 178
		829 861 433	**829 068 922**
Total Assets		**988 200 439**	**965 597 784**
Liabilities			
Current Liabilities			
Loans payable	19	342 816	342 816
Payables from exchange transactions	15	35 990 440	34 260 475
Consumer deposits	14	2 561 779	2 327 720
Unspent conditional grants and receipts	17	4 458 761	932 196
Provisions	18	11 617 054	9 245 778
VAT Payable	16	3 102 142	2 911 831
		58 072 992	**50 020 816**
Non-Current Liabilities			
Loans payable	19	3 191 645	3 545 368
Employee benefit obligation	20	20 601 000	18 734 000
		23 792 645	**22 279 368**
Total Liabilities		**81 865 637**	**72 300 184**
Net Assets		**906 334 802**	**893 297 600**
Reserves			
Housing operating account	21	8 419 820	10 228 866
Accumulated surplus	22	897 914 982	883 068 734
Total Net Assets		**906 334 802**	**893 297 600**

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018
Revenue			
Revenue from exchange transactions			
Service charges	23	80 994 217	77 875 598
Rental of facilities and equipment	24	1 622 412	1 623 406
Interest earned - external investments	25	4 787 326	4 228 990
Agency services	26	3 480 838	3 105 284
Licences and permits	27	10 118	7 075
Other income	28	1 940 027	1 461 435
Gain on disposal of assets and liabilities	29	-	22 877
Fair value adjustments	10	903 000	1 622 000
Total revenue from exchange transactions		**93 737 938**	**89 946 665**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	54 035 045	48 142 897
Licences and permits (Non-exchange)	31	10 870	26 546
Fines and penalties	32	44 527 666	52 829 149
Transfer revenue			
Government grants & subsidies	33	271 364 642	215 235 048
Public contributions, donated and contributed PPE	34	-	298 542
Total revenue from non-exchange transactions		**369 938 223**	**316 532 182**
Total revenue		**463 676 161**	**406 478 847**
Expenditure			
Employee related costs	35	131 378 182	107 781 821
Remuneration of councillors	36	21 509 842	20 041 006
Depreciation, impairment and amortisation	37	52 153 517	50 635 496
Finance costs	38	447 469	490 496
Lease rentals on operating leases	42	3 151 295	3 143 336
Debt impairment	45	43 051 015	51 121 242
Bulk purchases	39	51 506 479	47 180 522
Contracted services	40	101 908 039	66 998 052
Transfers and subsidies	41	5 285 959	3 321 638
Loss on disposal of assets and liabilities	29	54 405	-
Other materials	43	10 033 237	9 418 693
General expenses	44	31 859 312	30 332 682
Total expenditure		**452 338 751**	**390 464 984**
Surplus for the year		**11 337 410**	**16 013 863**

UMLALAZI MUNICPALITY

Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

	(Note 21) Housing Operating account R	(Note 22) Accumulated surplus R	Total net assets R
Balance at 30 June 2017	9 716 593	864 236 665	873 953 258
Changes in net assets			-
Surplus (deficit) for the year	2 914	16 013 867	16 016 781
Prior year adjustments		-17 710 924	-17 710 924
Transfer to capital replacement reserve		17 084 360	17 084 360
Transfer to capital replacement reserve interest received on short-term deposits		3 028 354	3 028 354
Public contributions and receipts - contributions received during the year			-
Public contributions and receipts - interest received on short-term deposits		416 416	416 416
Transfer from housing operating account			-
Public contributions	42 332		42 332
Interest received	467 027		467 027
Net income (losses) recognised directly in net assets	512 273	18 832 072	19 344 345
Surplus for the year			-
Total recognised income and expenses for the year	512 273	18 832 072	19 344 345
Total changes	512 273	18 832 072	19 344 345
Restated Balance at 01 July 2018	**10 228 866**	**883 068 737**	**893 297 603**
Changes in net assets			-
Surplus (deficit) for the year	-	11 337 410	11 337 410
Prior year adjustments			-
Transfer to capital replacement reserve		-	-
Transfer to capital replacement reserve interest received on short-term deposits		2 909 665	2 909 665
Public contributions and receipts - contributions received during the year			-
Public contributions and receipts - interest received on short-term deposits		599 170	599 170
Transfer to fund housing projects	-1 561 659		-1 561 659
Provision for doubtful debt	-113 639		-113 639
Bad debts written off	-610 971		-610 971
Transfer from housing operating account			-
Public contributions	497		497
Interest received	476 725	-	476 725
Total changes	-1 809 046	14 846 244	13 037 198
Balance at 30 June 2019	**8 419 820**	**897 914 982**	**906 334 801**

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Receipts			
Receipts from consumers and other		145 529 337	186 886 379
Government grants		271 364 642	215 235 048
Interest income		4 787 326	4 228 990
		421 681 305	406 350 417
Payments			
Employee cost		(151 021 024)	(127 822 824)
Suppiers		(199 078 159)	(214 478 750)
Finance costs		(447 469)	(490 496)
Transfers and grants		(5 285 959)	(3 321 637)
		(355 832 611)	(346 113 707)
Net cash flows from operating activities	46	**65 848 694**	**60 236 710**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(52 389 707)	(46 129 088)
Proceeds from sale of property, plant and equipment	7	2 201	-
Purchase of intangible assets	9	(336 250)	(111 377)
(Increase)/ decrease in loans receivable		626 320	(5 357)
Net cash flows from investing activities		**(52 097 436)**	**(46 245 822)**
Cash flows from financing activities			
Repayment of loans payable		(353 723)	(342 816)
Net cash flows from financing activities		**(353 723)**	**(342 816)**
Net increase/(decrease) in cash and cash equivalents		**13 397 535**	**13 648 072**
Cash and cash equivalents at the beginning of the year		99 770 810	86 122 738
Cash and cash equivalents at the end of the year	6	**113 168 345**	**99 770 810**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	75 347 900	1 754 300	**77 102 200**	80 994 217	**3 892 017**	5%
Rental of facilities and equipment	1 378 040	-	**1 378 040**	1 622 412	**244 372**	18% Ref 1
Agency services	3 934 690	-	**3 934 690**	3 480 838	**(453 852)**	12% Ref 2
Licences and permits	64 410	-	**64 410**	10 118	**(54 292)**	84% Ref 3
Other income	2 134 120	5 176 340	**7 310 460**	1 940 027	**(5 370 433)**	73% Ref 4
Interest received - investment	7 790 990	(2 900 000)	**4 890 990**	4 787 326	**(103 664)**	2%
Total revenue from exchange transactions	**90 650 150**	**4 030 640**	**94 680 790**	**92 834 938**	**(1 845 852)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	52 040 270	1 306 120	**53 346 390**	54 035 045	**688 655**	1%
Licences and permits (Non-exchange)	12 630	-	**12 630**	10 870	**(1 760)**	14% Ref 3
Transfer revenue						
Government grants & subsidies	231 928 980	45 946 390	**277 875 370**	271 364 642	**(6 510 728)**	3%
Fines and penalties	43 716 810	-	**43 716 810**	44 527 666	**810 856**	2%
Total revenue from non-exchange transactions	**327 698 690**	**47 252 510**	**374 951 200**	**369 938 223**	**(5 012 977)**	
Total revenue	**418 348 840**	**51 283 150**	**469 631 990**	**462 773 161**	**(6 858 829)**	
Expenditure						
Employee related costs	(121 724 550)	386 210	**(121 338 340)**	(131 378 182)	**(10 039 842)**	8%
Remuneration of councillors	(21 657 720)	-	**(21 657 720)**	(21 509 842)	**147 878**	1%
Depreciation, impairment and amortisation	(47 306 280)	(7 344 250)	**(54 650 530)**	(52 153 517)	**2 497 013**	5%
Finance costs	(343 000)	-	**(343 000)**	(447 469)	**(104 469)**	30% Ref 5
Lease rentals on operating leases	(4 002 770)	675 600	**(3 327 170)**	(3 151 295)	**175 875**	5%

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Debt impairment	(46 797 670)	-	**(46 797 670)**	(43 051 015)	**3 746 655**	8%
Bulk purchases	(50 729 000)	(755 260)	**(51 484 260)**	(51 506 479)	**(22 219)**	3%
Contracted services	(68 075 810)	(45 923 680)	**(113 999 490)**	(101 908 039)	**12 091 451**	11% Ref 4
Transfers and subsidies	(3 900 600)	(2 408 460)	**(6 309 060)**	(5 285 959)	**1 023 101**	16% Ref 6
Other materials	(10 313 130)	(1 147 550)	**(11 460 680)**	(10 033 237)	**1 427 443**	12% Ref 7
General expenses	(31 498 780)	(2 847 840)	**(34 346 620)**	(31 859 312)	**2 487 308**	11% Ref 8
Total expenditure	**(406 349 310)**	**(59 365 230)**	**(465 714 540)**	**(452 284 346)**	**13 430 194**	
Operating surplus	**11 999 530**	**(8 082 080)**	**3 917 450**	**10 488 815**	**6 571 365**	
Loss on disposal of assets and liabilities	150 000	-	**150 000**	(54 405)	**(204 405)**	136% Ref 9
Fair value adjustments	1 350 000	-	**1 350 000**	903 000	**(447 000)**	67% Ref 10
	1 500 000	**-**	**1 500 000**	**848 595**	**(651 405)**	
Operating surplus	**13 499 530**	**(8 082 080)**	**5 417 450**	**11 337 410**	**5 919 960**	
Actual amount on comparable basis as presented in the Budget and Actual Comparative Statement	**13 499 530**	**(8 082 080)**	**5 417 450**	**11 337 410**	**5 919 960**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Explanation of significant variances greater than 10% versus budget

1. The variance of 18% is due to a tariff increase which is higher than anticipated, promulgated in March by South African Sugar Association.
2. The variance of 12% is due to licencing and testing of vehicle receipts being less than anticipated.
3. The variance of 84% is due the amount received form the licence and permits being less than anticipated.
4. The variance is due internal funds which was made as internal provision for electrification project and subsequently an additional funding was received from DoE .
5. The variance of 30% is due the interest paid being more than anticipated.
6. The variance of 16 % is atributable to low spending no LED projects due to the fact that Director Planning and Local Economic Development was appointed on 1 January 2019.
7. The variance of 12% is due to materials used for municipal running cost being lower than anticipated.
8. The variance is due to the fact that the municipality implemented cost containment measures and municipal runing cost were consequently reduced.
9. The variance of 136% is due to the fact that municipality anticipated to realise profit on asset diposal but a loss was actually incuured instead.
10. The variance of 67% is due te fair value adjustment being less than unticipated.

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The Municipality assesses its trade receivables, loans and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, loans and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on judgement by management.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The Municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The Municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount.

Revenue Recognition

Accounting Policy on Revenue describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions. In particular, when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the Municipality.

1.3 Going concern assumption

These financial statements have been prepared based on the expectation that the Municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

1.5 Housing operating account

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Operating Account.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Operating Account. Monies standing to the credit of the Housing Operating Account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the Municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment except for Land are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Land is not depreciated as it is regarded as having an indefinite life.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses..

The useful lives of items of property, plant and equipment have been assessed as follows:

1.6 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Community and Recreational Facilities	Straight line	20-30
Other Assets	Straight line	20-30
Vehicles	Straight line	5-10
Furniture and Fittings	Straight line	7-10
Roads	Straight line	30-80
Electricity	Straight line	20-50
Storm Water	Straight line	40-60
Solid Waste Disposal	Straight line	10-30

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The Municipality assesses at each reporting date whether there is any indication that the Municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the Municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The Municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note)

The Municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.7 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality; and
- the cost or fair value of the asset can be measured reliably.

The Municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided on a straight line basis over their useful life.

The amortisation period for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Intangible assets	Straight line	3-5

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Accounting Policies

1.8 Heritage assets

Assets are resources controlled by an Municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the Municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an Municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an Municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The Municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements.

Recognition

The Municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The Municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the Municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

1.8 Heritage assets (continued)

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The Municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the Municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the Municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the Municipality; or
- the number of production or similar units expected to be obtained from the asset by the Municipality.

Designation

At initial recognition, the Municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of the Municipality's objective of using the asset.

The Municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the Municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the Municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The Municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.10 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the Municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the Municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the Municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 Provisions and contingencies

Provisions are recognised when:
- the Municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

No obligation arises as a consequence of the sale or transfer of an operation until the Municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

1.12 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.13 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.14 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

1.14 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

The Municipality separately discloses expenditure to repair and maintain investment property in the notes to the financial statements.

1.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one Municipality and a financial liability or a residual interest of another Municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an Municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an Municipality’s statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

1.15 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an Municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the Municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:
- cash;
- a residual interest of another Municipality; or
- a contractual right to:
  - receive cash or another financial asset from another Municipality; or
  - exchange financial assets or financial liabilities with another Municipality under conditions that are potentially favourable to the Municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another Municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the Municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an Municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an Municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an Municipality’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an Municipality.

Accounting Policies

1.15 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the Municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the Municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The Municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Investments in the fixed deposits(Banking Institutions)	Financial asset measured at amortised cost
Long term Receivables	Financial asset measured at amortised cost
Customer Debtors	Financial asset measured at amortised cost
Certain Other Debtors	Financial asset measured at amortised cost
Short term Investment Deposits	Financial asset measured at amortised cost
Bank Balances and cash	Financial asset measured at armotised cost

The Municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long-Term Liabilities	Financial liability measured at amortised cost
Certain other creditors	Financial liability measured at amortised cost
Current portion of long term liabilities	Financial liability measured at amortised cost
Customer deposits	Financial liability measured at amortised cost

The Municipality has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Initial recognition

The Municipality recognises a financial asset or a financial liability in its statement of financial position when the Municipality becomes a party to the contractual provisions of the instrument.

The Municipality recognises financial assets using trade date accounting.

Accounting Policies

1.15 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The Municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The Municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The Municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the Municipality analyses a concessionary loan into its component parts and accounts for each component separately. The Municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.15 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The Municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets are measured at amortised cost and are subject to an impairment review.

Reclassification

The Municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the Municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the Municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Impairment and uncollectibility of financial assets

The Municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.15 Financial instruments (continued)

Derecognition

Financial assets

The Municipality derecognises financial assets using trade date accounting.

The Municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the Municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the Municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality :
    - derecognise the asset; and
    - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the Municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the Municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the Municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the Municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The Municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.15 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another Municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the Municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Municipality does not offset the transferred asset and the associated liability.

1.16 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.17 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

1.17 Construction contracts and receivables (continued)

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.18 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

- useful life is the period of time over which an asset is expected to be used by the Municipality.

1.18 Impairment of non-cash-generating assets (continued)

Designation

At initial recognition, the Municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of the Municipality's objective of using the asset.

The Municipality designates an asset or a cash-generating unit as cash-generating when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The Municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the Municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the Municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The Municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the Municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the Municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.18 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.19 Employee benefits

Employee benefits are all forms of consideration given by an Municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting Municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting Municipality's own creditors (even in liquidation) and cannot be paid to the reporting Municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting Municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an Municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an Municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the Municipality has indicated to other parties that it will accept certain responsibilities and as a result, the Municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.19 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The Municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the Municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an Municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Insured benefits

Where the Municipality pays insurance premiums to fund a post-employment benefit plan, the Municipality treats such a plan as a defined contribution plan unless the Municipality will have (either directly or indirectly through the plan) a legal or constructive obligation to either:
- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the Municipality retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

1.19 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an Municipality pays fixed contributions into a separate Municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an Municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.19 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the Municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting Municipality) that are held by an Municipality (a fund) that is legally separate from the reporting Municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting Municipality's own creditors (even in liquidation), and cannot be returned to the reporting Municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting Municipality; or
- the assets are returned to the reporting Municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the Municipality's informal practices. Informal practices give rise to a constructive obligation where the Municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the Municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The Municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

1.19 Employee benefits (continued)

The Municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The Municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The Municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an Municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an Municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The Municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the Municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The Municipality offsets an asset relating to one plan against a liability relating to another plan when the Municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.19 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to all contributing retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The Municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.20 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Accounting Policies

1.21 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.22 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the Municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the Municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

1.22 Revenue from non-exchange transactions (continued)

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the Municipality either receives value from another Municipality without directly giving approximately equal value in exchange, or gives value to another Municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting Municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the Municipality.

When, as a result of a non-exchange transaction, the Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.22 Revenue from non-exchange transactions (continued)

Taxes

The Municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the Municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The Municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the Municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The Municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the Municipality.

Where the Municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

1.23 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.24 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

1.24 Accounting by principals and agents (continued)

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the Municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether the Municipality is a principal or an agent requires the Municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The Municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Recognition

The Municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The Municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The Municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.25 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

1.27 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Accounting Policies

1.29 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council funding and Reserves Policy. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

1.30 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by Municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.31 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the Municipality.

The Municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the Municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the Municipality is exempt from the disclosures in accordance with the above, the Municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements.

1.32 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

Accounting Policies

1.32 Events after reporting date (continued)

The Municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Financial Statements

Figures in Rand	2019	2018

2. Inventories

Electricity materials and supplies	2 180 944	2 043 809
Consumables stores	935 531	1 213 217
	3 116 475	**3 257 026**

3. Receivables from exchange transactions

Deposits with creditors	749 001	739 165
Payments made in advance	939 260	124 527
Housing installments	18 619	186 982
Land sales	-	96 555
Electricity	9 079 928	6 999 816
Sundry debtors	1 778 535	1 574 173
Refuse	2 462 178	2 665 832
Consumer deposits raised	48 293	357 870
	15 075 814	**12 744 920**

Housing installments	18 623	2 061 985
Less: Allowance for debt impairment	(3)	(1 875 003)
	18 620	**186 982**

Electricity	12 819 627	8 738 731
Less: Allowance for debt impairment	(3 739 699)	(1 738 915)
	9 079 928	**6 999 816**

Sundry debtors	6 149 896	5 320 691
Less: Allowance for debt impairment	(4 371 361)	(3 746 518)
	1 778 535	**1 574 173**

Refuse	5 478 269	5 383 701
Less: Allowance for debt impairment	(3 016 091)	(2 717 869)
	2 462 178	**2 665 832**

Consumer deposits raised	63 212	378 061
Less: Allowance for debt impairment	(14 919)	(20 192)
	48 293	**357 869**

Management have considered the effects of any impairment in the values of outstanding and the value of the allowance for doubtful debts. The allowance is adequate to account for any material losses expected to arise from any adjustments that are required to be made to outstanding balances.

Amounts written off as doubtful debts in 2019: R2 725 747 (2018: R12 434 855)
As a percentage of total operating revenue in 2019: 0.59% (2018: 3.05%)

Age analysis

Notes to the Financial Statements

Figures in Rand	2019	2018

3. Receivables from exchange transactions (continued)

Housing installments		
Current (0 to 30 days)	18 623	83 112
31 to 60 days	-	31 014
61 to 90 days	-	5 131
91 to 120 days	-	4 944
121 days and over	-	1 937 784
	18 623	**2 061 985**

Electricity		
Current (0 to 30 days)	10 043 362	2 272 017
31 to 60 days	135 333	3 595 479
61 to 90 days	130 398	1 075 911
91 to 120 days	94 436	428 843
121 days and over	2 416 099	1 366 481
	12 819 628	**8 738 731**

Sundry debtors		
Current (0 to 30 days)	1 937 637	1 163 989
31 to 60 days	76 226	351 128
61 to 90 days	5 994	45 731
91 to 120 days	5 437	69 352
121 days and over	4 124 602	3 690 491
	6 149 896	**5 320 691**

Refuse		
Current (0 to 30 days)	2 493 669	1 365 978
31 to 60 days	244 854	873 440
61 to 90 days	193 838	444 231
91 to 120 days	158 006	260 599
121 days and over	2 387 902	2 439 453
	5 478 269	**5 383 701**

Consumer deposits debtors		
Current (0 to 30 days)	42 998	286 510
31 to 60 days	-	28 235
61 to 90 days	5 311	12 023
91 to 120 days	2 286	17 540
121 days and over	12 617	13 562
	63 212	**357 870**

Notes to the Financial Statements

Figures in Rand	2019	2018

3. Receivables from exchange transactions (continued)

Summary of receivables by Consumer Classification		
Residential	13 491 295	11 230 073
Commercial and industrial	4 905 925	3 498 594
National and Provincial Government	4 788 818	5 013 032
Payments in advance	1 343 589	2 213 714
	24 529 627	**21 955 413**

Reconciliation of the allowance for debt impairment for receivables from exchange transactions:		
Balance at the beginning of the year	10 126 961	6 775 814
Contributions to allowance from operating account	3 379 231	3 946 212
Doubtful debts written off	(2 364 018)	(595 065)
	11 142 174	**10 126 961**

4. Receivables from non-exchange transactions

Sundry Debtors	1 787 189	1 801 831
Property rates	16 097 649	6 134 105
Traffic fines	6 531 441	7 167 242
	24 416 279	**15 103 178**

Sundry Debtors	1 809 823	1 824 465
Less: Allowance for debt impairment	(22 634)	(22 634)
	1 787 189	**1 801 831**

Property rates	53 902 315	41 302 607
Less: Allowance for debt impairment	(37 804 666)	(35 168 809)
	16 097 649	**6 133 798**

Traffic fines	163 286 021	127 134 296
Less: Allowance for debt impairment	(156 754 580)	(119 967 054)
	6 531 441	**7 167 242**

Age analysis

Figures in Rand	2019	2018

4. Receivables from non-exchange transactions (continued)

Fruitless and wasteful expenditure		
Current (0 to 30 days)	538	1 438
91 to 120 days	1 420	1 783 081
121 days and over	1 807 865	17 312
	1 809 823	**1 801 831**

Property rates		
Current (0 to 30days)	4 137 231	8 588 427
31 to 60 days	918 512	1 754 526
61 to 90 days	802 970	737 546
91 to 120 days	1 968 310	485 093
121 days and above	46 075 292	29 737 013
	53 902 315	**41 302 605**

Summary of Rates by Consumer Classification		
Residential	18 564 017	7 336 381
Commercial and industrial	2 695 115	1 946 536
National and Provincial Government	30 724 320	29 010 914
Payments in advance	1 918 863	3 008 774
	53 902 315	**41 302 605**

Reconciliation of the allowance of debt impairment for Fruitless and wasteful expenditure		
Opening Balance	22 634	-
Contributions to allowance: From operating account	-	22 634
	22 634	**22 634**

Reconciliation of the allowance of debt impairment for Rates		
Balance at the beginning of the year	35 168 500	31 622 028
Contributions to allowance: From operating account	2 702 420	3 916 352
Doubtful debts written off	(66 254)	(369 880)
	37 804 666	**35 168 500**

Reconciliation of the allowance of debt impairment for Traffic fines		
Balance at the beginning of the year	119 967 054	88 200 686
Contributions to allowance: From operating account	37 083 000	43 236 278
Doubtful debt written off	(295 475)	(11 469 910)
	156 754 579	**119 967 054**

Summary of allowance for debt impairment for the year		
Receivables from exchange transactions: operating account	3 265 595	3 945 977
Receivable from non-exchange transactions: Fruitless and wasteful expenditure-operating account	-	22 634
Receivables from non exchange transactions: Rates-operating account	2 702 420	3 916 353
Receivable from non-exchange transaction: Traffic fines - operating account	37 083 000	43 236 279
	43 051 015	**51 121 243**

5. VAT receivable

VAT	2 546 744	5 637 579

Notes to the Financial Statements

Figures in Rand	2019	2018

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash and floats	15 750	16 140
Bank balances	8 203 491	6 436 024
Short-term investment deposits	104 949 104	93 318 646
	113 168 345	**99 770 810**

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Standard BANK - Call Deposit - 068872208-001	757 907	808 604	757 907	757 907	808 604	757 907
Standard Bank - Fix Deposit - 068872208-002	1 530 191	1 415 948	1 328 644	1 530 191	1 415 948	1 328 644
Standard Bank - Call Deposit - 068872208-004	52 642 990	46 732 504	45 276 657	52 642 990	46 732 504	45 276 657
Standard Bank - Call Deposit - 068872208-005	3 399 609	616 122	3 366 214	3 399 609	616 122	3 366 214
Standard Bank - Call Account - 068872208-008	215 521	5 367	-	215 521	5 367	-
Standard Bank - Call Deposit - 068872208-009	709 821	582 159	-	(6 806)	582 159	-
First National Bank - Cheque Account - 52191090523	7 897 416	3 708 882	2 995 385	8 203 491	6 436 023	3 539 442
First National Bank - Call Deposit - 62299224594	-	14	8	-	14	8
First National Bank - 32 Day Fix - 74238125451	311 995	311 995	311 995	311 995	311 995	311 995
First National Bank - Call Deposit - 62120320081	3 473 784	7 708 391	3 230 645	3 473 784	7 708 391	3 230 645
First National Bank - Call Deposit - 62151319186	6 796 490	318 671	1 099 264	6 796 490	318 671	1 099 264
First National Bank- Call Deposit - 62124937246	81 479	523 759	541 035	81 479	523 759	541 035
First National Bank - Call Deposit - 62378736593	7 189 537	8 258 518	7 677 402	7 189 537	8 258 518	7 677 402
First National Bank - Call Deposit - 62024283038	295 961	311 857	295 395	294 996	311 827	295 395
First National Bank - Deposit - 62239675260	6 743 613	2 346 848	5 497 961	6 743 613	2 346 848	5 497 961
Investec - Call Deposit - 1100511779500	13 589 771	9 445 482	118 401	13 589 744	9 445 464	118 402
Investec - Call Deposit - 1100511779503	497 699	-	-	497 699	-	-
Investec - Call Deposit - 1100511779502	596 240	-	-	596 240	-	-
NEDBANK - Call Deposit - 037165024212	396 191	420 587	393 972	396 191	420 587	393 972
NEDBANK - Call Deposit - 037165024182	3 862 215	5 612 620	5 258 202	3 862 215	5 612 620	5 258 202
NEDBANK - Call Deposit 037165024190	-	19 898	18 590	-	19 898	18 590
NEDBANK - Call Deposit - 037165024204	2 575 708	7 879 367	7 384 862	2 575 708	7 879 367	7 384 862
Total	**113 564 138**	**97 027 593**	**85 552 539**	**113 152 594**	**99 754 686**	**86 096 597**

Notes to the Financial Statements

Figures in Rand

7. Property, plant and equipment

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	129 586 164	-	129 586 164	129 586 164	-	129 586 164
Plant and machinery	8 783 552	(5 134 355)	3 649 197	7 652 579	(4 454 393)	3 198 186
Furniture and fixtures	8 272 891	(5 499 779)	2 773 112	7 729 162	(4 713 527)	3 015 635
Motor vehicles	32 978 612	(20 841 961)	12 136 651	28 463 692	(17 584 746)	10 878 946
IT equipment	13 279 058	(5 903 640)	7 375 418	11 601 391	(4 414 306)	7 187 085
Infrastructure	708 601 179	(303 144 819)	405 456 360	682 688 691	(280 823 178)	401 865 513
Community	335 791 781	(115 349 330)	220 442 451	312 601 184	(92 122 477)	220 478 707
Assets under construction	18 751 890	-	18 751 890	23 536 585	-	23 536 585
Total	**1 256 045 127**	**(455 873 884)**	**800 171 243**	**1 203 859 448**	**(404 112 627)**	**799 746 821**

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	129 586 164	-	-	-	-	-	129 586 164
Plant and machinery	3 198 186	1 226 112	(9 170)	-	(765 778)	(153)	3 649 197
Furniture and fixtures	3 015 635	543 730	-	-	(783 507)	(2 746)	2 773 112
Motor vehicles	10 878 946	4 514 921	-	-	(3 256 897)	(319)	12 136 651
IT equipment	7 187 085	1 748 709	(30 301)	-	(1 530 075)	-	7 375 418
Infrastructure	401 865 513	1 180 439	(17 135)	24 769 894	(22 046 129)	(296 222)	405 456 360
Community	220 478 707	588 952	-	22 601 645	(16 352 562)	(6 874 291)	220 442 451
Assets under construction	23 536 585	42 586 844	-	(47 371 539)	-	-	18 751 890
	799 746 821	**52 389 707**	**(56 606)**	**-**	**(44 734 948)**	**(7 173 731)**	**800 171 243**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	129 664 164	-	(78 000)	-	-	-	-	129 586 164
Plant and machinery	3 639 819	771 966	(2 029 513)	-	1 816 189	(1 000 275)	-	3 198 186
Furniture and fixtures	2 970 018	869 607	(864 126)	202 509	775 303	(937 676)	-	3 015 635
Motor vehicles	14 036 270	1 381 429	(478 985)	-	380 655	(4 440 423)	-	10 878 946
IT equipment	7 262 345	1 534 596	(621 272)	96 032	473 437	(1 558 053)	-	7 187 085
Infrastructure	374 209 810	54 518 985	(639 388)	-	290 197	(23 636 374)	(2 877 717)	401 865 513
Community	200 505 465	36 086 379	(619 052)	-	459 557	(15 928 166)	(25 476)	220 478 707
Assets under construction	72 570 459	(49 033 874)	-	-	-	-	-	23 536 585
	804 858 350	**46 129 088**	**(5 330 336)**	**298 541**	**4 195 338**	**(47 500 967)**	**(2 903 193)**	**799 746 821**

7. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	13 734 951	9 801 634	23 536 585
Additions/capital expenditure	15 489 846	27 096 998	42 586 844
Transferred to completed items	(24 769 894)	(22 601 645)	(47 371 539)
	4 454 903	**14 296 987**	**18 751 890**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance	2019	2018
Employee related costs	21 335 816	17 613 679
Contracted services	2 793 783	2 119 327
Sale of goods/Inventory	3 965 196	2 958 024
	28 094 795	**22 691 030**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

Notes to the Financial Statements

Figures in Rand	2019	2018

8. Assets under construction

As at 30 June 2019		
divine life society creches x9	1 170 000	-
Gingindlovu storm water ward 18	1 533 348	-
Mitchell street extention ward 11	217 500	-
Mbhabha causeway construction	252 558	-
Emtilombo causeway construction	237 313	-
Testing station	1 003 402	-
Upgrade of Nkume sportsfield	2 484 208	-
Kwabulawayo sport complex phase 2	4 641 965	-
Construction of fencing in Sunnydale minisub low cost	25 500	-
Galvanised gates at Eshowe bus & taxi rank	225 000	-
Construction of sidewalk Sunnydale (Brockwell and Marris street)	43 775	-
Fencing construction on taxi rank RMU/ok minisub	14 085	-
Construction of Mtipela/Ntabankulu gravel road phase 2 in ward 03	1 066 720	-
Steel palisade fence at Sunnydale	94 110	-
Sunnydale intersection	127 317	-
Urban road rehabilitation	394 888	-
Basamlilo sportsfield	4 181 607	-
Sidewalk, Ging, MTZ and Eshowe	316 899	-
Thandukwenza creche ward 23	146 739	-
Ncengimpilo creche ward 02	143 739	-
Nkanyisweni creche ward 04	143 739	-
Khombukukhanya creche ward 25	143 739	-
Ingeza creche ward 14	143 739	-
	18 751 890	**-**

As at 30 June 2018		
Devine Life Society af SA (Creches)	-	1 170 000
Mvutshini sports field	-	3 176 185
Nkume sports field	-	2 484 208
Gingindlovu storm water	-	96 600
Mbhabha causeway	-	252 558
Emtilombo causeway	-	237 313
Mitchell street	-	217 500
King Dinizulu Suburb bus route(phase 2)	-	3 789 250
Obanjeni community hall	-	149 123
Kwagalagala road	-	109 649
Mahhusheni and Mathibelane roads	-	195 357
Nteneshane sports field	-	241 228
Testing station	-	1 003 402
Kwabulawayo sport complex (Phase 2)	-	251 725
Fencing at Sunnydale Low Cost Minisub	-	25 500
Izingwenya community hall	-	222 807
Galvinised gates at informal Trading Centre (Eshowe bus and taxi rank)	-	225 000
Sidewalks: Sunnydale (Brockwell and Marris Street)	-	43 775
Fencing at Taxi Rank Minisub	-	14 085
Cemetery pathways at Mpushini Park	-	85 377
Nkume community hall	-	258 067
Mthintombi road	-	264 832
Bhekeshowe community hall	-	665 401
Storm water - Uvasi Street	-	138 267
Mbangayiya road and causeway	-	7 058 546
Mtipela/Ntabankulu Gravel road (Phase 2)	-	1 066 720
Steel palisade fence at Sunnydale library	-	94 110
	-	**23 536 585**

Figures in Rand	2019	2018

9. Intangible assets

	2019			2018		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	1 537 069	(964 081)	572 988	1 200 819	(719 240)	481 579

Intangible assets are initially recognised at cost and are carried at cost less depreciation.

The municipality does not have any internally generated intangible assets.

No repairs and maintenance were undertaken on intangible assets during this financial year

Reconciliation of intangible assets - 2019

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	481 579	336 250	(244 841)	572 988

Reconciliation of intangible assets - 2018

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Amortisation**	**Total**
Computer software	799 068	111 377	(1 204 518)	1 152 320	(376 668)	481 579

10. Investment property

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	18 782 000	-	18 782 000	17 879 000	-	17 879 000

Reconciliation of investment property - 2019

	Opening balance	**Fair value adjustments**	**Total**
Investment property	17 879 000	903 000	18 782 000

Reconciliation of investment property - 2018

	Opening balance	**Fair value adjustments**	**Total**
Investment property	16 257 000	1 622 000	17 879 000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

Maintenance of investment property

No repairs and maintenance were undertaken on investment property during this financial year.

11. Heritage assets

	2019			2018		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Zululand historical museum	9 232 212	-	9 232 212	9 232 212	-	9 232 212
Office bearer's ceremonial chains	1 079 132	-	1 079 132	1 079 132	-	1 079 132
Total	**10 311 344**	**-**	**10 311 344**	**10 311 344**	**-**	**10 311 344**

Reconciliation of heritage assets 2019

	Opening balance	**Total**
Zululand historical museum	9 232 212	9 232 212
Office bearer's ceremonial chain	1 079 132	1 079 132
	10 311 344	**10 311 344**

Reconciliation of heritage assets 2018

	Opening balance	**Total**
Zululand historical museum	9 232 212	9 232 212
Office bearer's ceremonial chain	1 079 132	1 079 132
	10 311 344	**10 311 344**

Expenditure incurred to repair and maintain heritage assets

No repairs and maintenance were undertaken on heritage assets during this financial year

12. Investments

At amortised cost

Notes to the Financial Statements

Figures in Rand	2019	2018

12. Investments (continued)

Shares in co-operative - Coastal Farmers	1 000	1 000

Non-current assets		
Unlisted	1 000	1 000

13. Loans Receivable

Old age home	22 858	53 556
Housing loans	-	610 971
	22 858	**664 527**

Current portion transferred to current receivables		
Old age home	15 349	15 349

Summary		
Loans receivable (Non-current assets)	38 207	664 527
Current portion transferred to current assets	(15 349)	(15 349)
	22 858	**649 178**

Housing selling scheme loans

Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Human Settlements programme. The loans are repayable over terms ranging from 5 to 30 years at rates varying between 11.25% and 13.5%.

14. Consumer deposits

Electricity and refuse	2 519 307	2 247 035
Deposits other	42 472	80 685
	2 561 779	**2 327 720**

Guarantees held:		
In lieu of electricity deposits	319 750	319 750

15. Payables from exchange transactions

Creditors control	17 483 437	21 307 552
Income received in advance	10 973 006	6 344 487
Retention monies	4 411 141	5 313 831
Unidentified direct deposits	2 106 299	813 930
Employee overtime/ standby	905 280	375 118
Salaries Control	111 277	105 557
	35 990 440	**34 260 475**

The fair value of trade and other payables approximate their carrying amounts. Trade and other payables are normally settled on 30 day terms in accordance with the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice/statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

16. Vat Payable

Notes to the Financial Statements

Figures in Rand	2019	2018

16. Vat Payable (continued)

Tax refund payable	3 102 142	2 911 831

17. Unspent conditional grants and receipts

Unspent conditional grants from spheres of government		
National Treasury	1 353 021	-
Provincial Grants	3 079 626	906 082
District Municipality	26 114	26 114
	4 458 761	**932 196**

Unspent conditional grants and receipts comprises of:

MIG Grant	1 352 219	-
Costal Management Programme Grant KCDM	17 214	17 214
Support to Community Service Centre Grant	-	16 123
Informal Trading Training Grant	8 900	8 900
GIS Software and Spatial Development Framework Grant	651 987	495 987
Rural Housing Grant	2 033 667	-
Sunnydale Low Cost Housing Grant	393 972	393 972
Finance Management Grant	802	-
	4 458 761	**932 196**

These amounts are invested in ring-fenced short-term deposits until utilised in terms of Section 12 of the MFMA.

18. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Staff leave	5 075 480	3 839 065	(2 795 901)	6 118 644
Staff bonuses	3 820 126	7 742 419	(7 514 135)	4 048 410
Current of post retirement medical benefits	149 746	1 144 840	(530 586)	764 000
Current portion long service awards	200 426	805 353	(319 779)	686 000
	9 245 778	**13 531 677**	**(11 160 401)**	**11 617 054**

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Total
Staff leave	5 270 748	2 337 019	(2 532 287)	5 075 480
Staff bonuses	3 591 789	3 597 924	(3 369 587)	3 820 126
Current of post retirement medical benefits	664 000	12 000	(526 254)	149 746
Current portion long service awards	562 000	33 000	(394 574)	200 426
	10 088 537	**5 979 943**	**(6 822 702)**	**9 245 778**

19. Loans payable

Annuity loans		
Current portion transferred to current liabilities	342 816	342 816

Figures in Rand	2019	2018

19. Loans payable (continued)

Annuity loans	3 191 645	3 545 368

(Refer to Appendix A for more detail)

Bear interest of 12.422% per annum, and is redeemed in bi-annual installments, including interest, over a period of 20 years.

Fair value impairment

Long term loans are recorded at the actual liability to loan creditors. No impairment has been recognised.

Non-current liabilities		
Loans payable	3 191 645	3 545 368
Current liabilities		
Current portion of loans payable	342 816	342 816

20. Employee benefit obligations

21.1 Provision for post retirement medical benefits

The Council operates a defined medical aid benefit scheme for the benefit of its permanent employees. Post-retirement medical aid benefits are offered to all employees by subsidising a portion of the medical aid provision after retirement.

An actuarial valuation was carried out at 30 June 2019 and the full liability has been raised which relates to retired employees and existing employees. The main assumptions used by the actuary are:

Discount rate per annum - Yield curve

Health care cost inflation rate - CPI + 1%

Health care cost inflation rate - Yield curve based

Medical benefit inflation (long term) CPI increases - Difference between nominal and yield curves

Sensitivity analysis:

Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality,if the actual rates of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa.

We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%.

Notes to the Financial Statements

Figures in Rand	2019	2018

20. Employee benefit obligations (continued)

The effect is as follows:	Mortality rate minus 20%	Valuation Assumption	Mortality rate plus 20%
Total accrued liability	17 137 000	15 938 000	14 916 000
Interest cost	1 750 000	1 624 000	1 518 000
Service cost	829 000	764 000	708 000
	19 716 000	**18 326 000**	**17 142 000**

Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

We have tested the effect of a 1% p.a change in the medical aid inflation.

The effect is as follows:	Medical aid inflation-minus 1%	Valuation assumption	Medical aid inflation-plus 1%
Total accrued liability	15 206 000	15 983 000	16 521 000
Interest cost	1 547 000	1 624 000	1 686 000
Service cost	710 000	764 000	805 000
	17 463 000	**18 371 000**	**19 012 000**

Projected accrued liability at 30 June 2020		
Accrued Liability at 30 June 2019	15 938 000	14 486 000
Future - Service cost	764 000	676 000
Interest cost	1 624 000	1 441 000
Expected benefits payments	(702 000)	(628 000)
	17 624 000	**15 975 000**

Long term		
Total Liability	15 938 000	14 486 000
Current potion of long term liability	(764 000)	(676 000)
	15 174 000	**13 810 000**

21.2 Provision for long-service awards

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service.

An actuarial valuation was carried out at 30 June 2019 and the full liability has been raised. The main assumptions used by the actuary are:

Discount rate per annum - Yield curve

General salary inflation rate (long term) - CPI + 1%

Net effective discount rate - Yield curve based

Benchmark inflation (equal to salary inflation) - Difference between nominal and yield curves

Sensitivity analysis:

Withdrawal rate

Figures in Rand	2019	2018

20. Employee benefit obligations (continued)

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%.

The effect is as follows:	Withdrawal rate minus 20%	Valuation Assumption	Withdrawal rate plus 20%
Total accrued liability	6 530 000	6 113 000	5 744 000
Interest cost	669 000	622 000	582 000
Service cost	763 000	686 000	621 000
	7 962 000	**7 421 000**	**6 947 000**

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

We have tested the effect of a 1% p.a change in the normal salary inflation assumption.

The effect is as follows:	Normal salary inflation - minus 1%	Valuation Assumption	Normal salary inflation - plus 1%
Total accrued liability	5 681 000	6 113 000	6 594 000
Interest cost	575 000	622 000	675 000
Service cost	625 000	686 000	756 000
	6 881 000	**7 421 000**	**8 025 000**

Projected accrued liability at 30 June 2020		
Accrued liability at 30 June 2019	6 113 000	5 519 000
Future - service cost	686 000	595 000
Interest	622 000	558 000
Expected benefits payments	(581 000)	(727 000)
	6 840 000	**5 945 000**

Long term		
Total liability	6 113 000	5 519 000
Current portion of long term liability	(686 000)	(595 000)
	5 427 000	**4 924 000**

Total Non Current employee benefit obligations		
Post retirement medical benefits	15 174 000	13 810 000
Long service awards	5 427 000	4 924 000
	20 601 000	**18 734 000**

21. Housing operating account

Government loans extinguished in 1998	3 158 073	4 048 138
Installments received from borrowers	7 189 537	8 258 518
Accumulated deficit	(1 927 790)	(2 077 790)
	8 419 820	**10 228 866**

Notes to the Financial Statements

Figures in Rand	2019	2018

22. Accumulated surplus

Balance at the beginning of the year	826 909 916	828 606 974
Operating surplus for the year	11 337 410	16 010 952
Funding of capital projects	-	1 376 536
Prior year adjustments	-	(19 084 546)
Contributions to CRR	(3 994 092)	-
	834 253 234	**826 909 916**

Capital replacement reserve		
Balance at the beginning of the year	50 156 395	30 043 681
Transfer of unspent capital equitable share grant funding	2 204 475	5 490 031
Interest received on investment	2 909 665	3 942 532
Transfer of unspent operating equitable share grant	-	5 913 333
Interest received on short-term deposits	4 454 374	3 028 354
Land sale contributions	-	115 000
additional cash contribution	2 263 252	3 000 000
Less funding of capital projects	(4 928 009)	(1 376 536)
	57 060 152	**50 156 395**

Public contributions and receipts		
Balance at the beginning of the year	6 002 426	5 586 010
Interest received on short-term deposits	599 170	416 416
	6 601 596	**6 002 426**

The Capital Replacement Reserve is ring-fenced within the accumulated surplus and is fully funded and invested.

Public contributions and receipts include funds such as Electrical Network Upgrade, Indigent Support and SMME Establishment. The funds are ring-fenced within the accumulated surplus and is fully funded and invested.

Accumulated surplus/ (deficit) at the end of the year		
Accumulated Surplus	834 253 234	826 909 916
Capital replacement reserve	57 060 152	50 156 395
Public contributions and receipts	6 601 596	6 002 426
	897 914 982	**883 068 737**

23. Service charges

Sale of electricity	68 750 073	66 520 510
Refuse removal	12 244 144	11 355 088
	80 994 217	**77 875 598**

The service charges revenue are in respect of services rendered to consumers and billed in terms of 'the Council's approved tariffs.

24. Rental of facilities and equipment

Premises		
Community halls	120 925	136 479
Land leases and other rentals	1 364 422	1 366 442
Rental of municipal houses	137 065	120 485
	1 622 412	**1 623 406**

Notes to the Financial Statements

Figures in Rand	2019	2018

25. Interest earned

Interest revenue		
Current account	332 952	286 476
Short - term investment deposits	4 454 374	3 942 514
	4 787 326	**4 228 990**

Notes to the Financial Statements

Figures in Rand	2019	2018

26. Agency services

Registration of vehicles	2 568 592	2 208 406
Testing station fees	912 246	896 878
	3 480 838	**3 105 284**

27. Licences and permits

Trading licences	10 118	7 075

28. Other income

Administrative handling fees	138 342	70 024
Town planning and servitudes	120 469	35 375
Breakages and losses recovered	3 102	3 487
Advertisements	5 130	2 602
Commission	32 284	188 693
Building plan approval	295 749	313 587
Cemetery and burial fees	153 843	133 597
Cleaning and removal	75 808	60 459
Clearance certificate	73 244	71 035
Insurance refund	371 140	-
Entrance fees	25 502	16 465
Skills development levy refund	289 562	61 243
Photocopies and faxes	352 808	493 784
Sales of E-cards	3 044	11 084
	1 940 027	**1 461 435**

29. Gain/ (loss) on sale of assets

Gain on sale of Ecards	2 203	22 877
Loss on disposal of PPE	(56 608)	-
	(54 405)	**22 877**

Notes to the Financial Statements

Figures in Rand	2019	2018

30. Property rates

Rates received

Residential	29 335 725	24 566 968
Commercial	10 161 691	10 261 980
Education and state	28 762 909	24 322 962
Agriculture	5 392 814	5 261 220
Municipal	1 616 781	1 918 685
Public benefit	520 728	190 306
Vacant land	6 131 010	7 892 445
Mining	476 620	430 081
Public service infrastructure	8 426 513	4 468 148
Less: Rates rebate	(36 789 746)	(31 169 898)
	54 035 045	**48 142 897**

Valuations

Residential	2 507 767 000	2 484 357 000
Commercial	767 487 000	725 989 000
Education and state	2 293 880 000	2 289 842 000
Agriculture	1 805 819 000	1 805 819 000
Municipal	138 298 000	138 423 000
Public benefit	88 436 000	88 436 000
Vacant land	261 950 000	266 230 000
Mining	20 412 000	20 412 000
Public Service Infrastructure	3 018 092 000	3 018 092 000
	10 902 141 000	**10 837 600 000**

The last general valuation came into effect on 01 July 2015.

The valuation of land takes place every four years in terms of the Municipal Property Rates Act, (Act No. 6 of 2004).The basic rate for land and buildings range between R0.2792 and R2.2335 (2018 - R0.2634 and R2.1070) respectively.

Messrs Umhlaba Geomatics Incorporated compiled the valuation roll which was implemented on 01 July 2015.

31. Licences and permits (non-exchange)

Rank permits	10 870	26 546

32. Fines and penalties

Law enforcement fines	2 783	4 073
Overdue books fines	18 495	22 302
Traffic fines	40 106 899	49 392 657
Property rates - penalties imposed	4 139 012	2 900 795
Disconnection fees penalties	260 477	117 068
Retentions forfeits	-	392 254
	44 527 666	**52 829 149**

Notes to the Financial Statements

Figures in Rand	2019	2018

33. Government grants and subsidies

Operating grants		
Equitable share	165 378 000	156 999 000
KCDM Grant	-	233 886
Finance Management Grant	1 769 198	1 700 000
Community Library Grant	4 978 000	3 487 000
EPWP Grant	3 212 000	2 985 000
INEP	10 000 000	8 000 000
Museums Grant	-	350 000
Sports Facility Grant	-	321 210
Museum subsidy	16 123	113 952
Libraries subsidies	844 000	-
Rural Housing Grant	37 411 539	-
	223 608 860	**174 190 048**
Capital grants		
Municipal Infrastructure Grant	47 755 782	41 045 000
	271 364 642	**215 235 048**

Equitable Share		
Current year receipts	165 378 000	156 999 000
Condition met transfered to revenue	(165 378 000)	(156 999 000)
	-	**-**

Provincial Government Grants		
Balance unspent at the beginning of the year	906 082	845 257
Current year receipts	38 411 539	495 987
Conditions met	(36 237 996)	(435 162)
	3 079 625	**906 082**

National Government Grants		
Current year receipts	54 090 000	53 730 000
Condition met	(52 736 979)	(53 730 000)
	1 353 021	**-**

District Municipality		
Balance unspent at the beginning of the year	26 114	180 000
Condition met transferred to revenue	-	(153 886)
	26 114	**26 114**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	105 986 642	58 236 048
Unconditional grants received	165 378 000	156 999 000
	271 364 642	**215 235 048**

Equitable Share

In terms of the Constitution, this grant is used to subsidies the provision of basic services to indigent community members.

Figures in Rand	2019	2018

33. Government grants and subsidies (continued)

Municipal Infrastructure Grant

Current-year receipts	49 108 000	41 045 000
Conditions met - transferred to revenue	(47 755 781)	(41 045 000)
	1 352 219	**-**

Conditions still to be met - remain liabilities (see note 17).

Coastal Management Programme Grant

Balance unspent at beginning of year	17 214	17 214

Conditions still to be met - remain liabilities (see note 17).

Community Service Centre Grant

Balance unspent at beginning of year	16 123	16 123
Conditions met - transferred to revenue	(16 123)	-
	-	**16 123**

Conditions still to be met - remain liabilities (see note 17).

Informal Traders Training Grant

Balance unspent at beginning of year	8 900	8 900

Conditions still to be met - remain liabilities (see note 17).

GIS Software and SDF Grant

Balance unspent at beginning of year	495 987	495 987
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(844 000)	-
	651 987	**495 987**

Conditions still to be met - remain liabilities (see note 17).

Rural Housing Grant

Current-year receipts	39 445 206	-
Conditions met - transferred to revenue	(37 411 539)	-
	2 033 667	**-**

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

Sunnydale Lowcost Housing Grant

Balance unspent at beginning of year	393 972	393 972

Conditions still to be met - remain liabilities (see note 17).

Finance Management Grant

Notes to the Financial Statements

Figures in Rand	2019	2018

33. Government grants and subsidies (continued)

Current-year receipts	1 770 000	1 700 000
Conditions met - transferred to revenue	(1 769 198)	(1 700 000)
	802	**-**

Conditions still to be met - remain liabilities (see note 17).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

34. Public contributions, donated and contributed PPE

Donated and contributed PPE	-	298 542

Donated and Contributed Property, Plant and Equipment		
Current-year receipts: KZN Department of Art and culture	-	298 542
Condition met Transferred to revenue	-	(298 542)
	-	**-**

Notes to the Financial Statements

Figures in Rand	2019	2018

35. Employee related costs

35.1 Remuneration of key management personnel:

Remuneration of the Municipal Manager		
Annual remuneration	727 075	223 199
Performance Bonus	26 527	-
Travelling allowance	180 000	60 000
Contributions to UIF, Medical and Pension Funds	132 658	40 771
Group Life	14 541	4 464
	1 080 801	**328 434**

Remuneration of the Chief Financial Officer		
Annual remuneration	747 355	546 347
Performance bonus	91 073	152 749
Travelling Allowance	180 000	180 000
Contribution to UIF,Medical and Pension Funds	103 797	76 361
Group Life	14 947	10 927
	1 137 172	**966 384**

Remuneration of the Director: Corporate Services		
Annual remuneration	924 316	691 850
Performance bonus	91 073	139 975
Travelling allowance	120 000	120 000
Contribution to UIF, Medical and Pension Funds	1 784	1 785
	1 137 173	**953 610**

Remuneration of the Director: Engineering Services		
Annual remuneration	776 216	130 970
Performance bonus	22 768	-
Travel allowance	180 000	45 000
Contribution to UIF, Medical and Pension Funds	144 588	27 439
Group Life	1 784	-
	1 125 356	**203 409**

Planning and Economic Development Director is a new position which was appointed on 01 January 2019.

Remuneration of the Director: Planning and Economic Development Services		
Annual remuneration	261 372	-
Travel allowance	150 000	-
Contribution to UIF, Medical and Pension Fund	892	-
Group Life	5 228	-
Housing allowance	133 800	-
	551 292	**-**

Remuneration of the Director: Community Services		
Annual remuneration	758 487	133 867
Performance bonus	16 263	-
Travel allowance	180 000	45 000
Contribution to UIF, Medical and Pension Funds	164 101	24 542

Notes to the Financial Statements

Figures in Rand	2019	2018

35. Employee related costs (continued)

	1 118 851	**203 409**

35.2 Employee related costs:

Basic salary and wages	81 980 403	71 363 656
Bonuses	6 426 260	5 457 527
Medical Aid Contributions	5 779 741	4 754 596
Annual leave	3 839 065	2 052 898
Performance bonus	-	422 720
Post-retirement benefit obligations	2 508 840	348 000
Overtime	6 694 549	4 412 426
Long service awards	1 308 354	641 000
Motor vehicle allowance	4 469 502	4 092 131
Housing allowances	1 183 901	484 908
Rental subsidy	55 050	129 015
Group life insurance	1 308 994	1 121 765
Cellphone Allowances	1 321 551	707 286
Pension and UIF contributions	14 501 972	11 793 890
	131 378 182	**107 781 818**

36. Remuneration of councillors

Mayor's allowance	872 148	833 113
Deputy Mayor's allowance	706 600	673 931
Executive committee members	5 326 260	5 073 088
Speaker's allowance	706 600	673 931
Chief whip's allowance	688 874	634 136
Councillors' allowances	13 209 360	12 152 807
	21 509 842	**20 041 006**

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Chief whip are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor, Deputy Mayor and Speaker each have the use of leased vehicles for official duties.

The Mayor has full-time bodyguards, The Deputy Mayor, Speaker and Chief whip have each got two full-time bodyguards.

37. Depreciation impairment and amortisation

Property, plant and equipment	51 908 676	50 620 310
Intangible assets	244 841	15 186
	52 153 517	**50 635 496**

38. Finance costs

Loans payable	447 469	490 496

39. Bulk purchases

Electricity - Eskom	51 506 479	47 180 522

Notes to the Financial Statements

Figures in Rand	2019	2018

40. Contracted services

Outsourced Services		
Alien vegetation control	409 621	450 559
Animal care	601 632	601 632
Burial services	1 255 781	1 124 537
Business and advisory	748 370	1 889 860
Clearing and grass cutting services	1 614 537	1 814 500
Litter picking and street cleaning (CBD)	1 024 358	984 960
Medical examinations	94 830	18 560
Personnel and labour (Work creation projects and EPWP)	6 950 157	5 627 566
Refuse removal	6 200 196	6 028 164
Security services	14 110 764	17 694 005
Traffic fines management	2 328 191	2 642 299
Electrical (Rural electrification)	10 721 020	7 787 198
Consultants and Professional Services		
Business and advisory	1 646 984	686 795
Infrastructure and planning	145 371	554 845
Legal cost	1 669 727	1 686 829
Contractors		
Artists and performers	70 000	100 000
Catering services	1 313 361	1 199 805
Graphic designers	5 499	41 359
Maintenance of buildings and facilities	713 396	816 950
Maintenance of equipment	311 689	341 884
Grader programme and maintenance of vehicles	10 943 206	13 617 973
Pest control and fumigation	3 500	868
Prepaid electricity vendors	1 149 724	1 090 674
Stage and sound crew	196 140	196 230
Rural housing project	37 679 985	-
	101 908 039	**66 998 052**

41. Transfers and subsidies

Other subsidies		
Early childhood - Furniture and equipment for crèches	235 202	121 572
Fencing of communal gardens, SMME equipment and irrigation systems	318 041	990 861
Donations to schools	1 000	34 665
S P C A Grant-in-aid	142 160	135 000
Tourism Grant-in-aid	215 870	205 000
Zululand Historical Museum Grant-in-aid	248 650	246 000
Bursaries (Non-employees)	237 000	220 445
Households (Groceries, temporally shelters and food parcels)	3 740 616	1 228 095
Social Welfare Grant-in-aid	147 420	140 000
	5 285 959	**3 321 638**

42. Lease rentals on operating leases

Vehicles for political office bearers	1 414 423	1 319 630
Office equipment	1 116 210	1 102 986
Weigh bridges	456 646	444 783
Property rentals	164 016	275 937
	3 151 295	**3 143 336**

Notes to the Financial Statements

Figures in Rand	2019	2018

43. Other materials

Inventory Consumend		
Inventory Consumed Consumables Standard Rated (stationery and cleaning materials)	5 989 760	5 696 500
Inventory Consumed Finished Goods (electrical parts and hardwares used for building maintenance)	29 694	76 677
Inventory Consumed Materials and Supplies (asphalt hot mix, stones)	4 013 783	3 645 516
	10 033 237	**9 418 693**

44. General expenses

Advertising	1 881 859	1 986 377
Audit fees - external	1 923 434	2 291 853
Bank charges	328 787	348 252
Cleaning Services	596	-
Commission paid, third party vendors	34 396	31 724
Council's Communications	1 334 513	1 800 010
Entertainment allowances	139 378	125 651
Hire charges	659 556	893 405
Insurance	1 438 759	1 167 871
External computer services	3 878 963	5 229 077
Skills development fund levies	1 187 899	937 064
Printing, publications and books	7 671	98 589
Uniform and protective clothing	1 125 841	892 263
Performing Arts	621	-
Professional bodies, membership and subscriptions and membership fees	42 940	69 441
Vehicle Tracking	333 687	311 196
Transport provided - activities and events	593 951	574 047
Training	1 527 545	1 436 243
Travel and subsistence	2 685 305	2 697 273
Loose Tools	160 193	98 467
Municipal services - District Municipality	2 242 110	2 378 990
Archiving	62 550	91 712
Bargaining Council	1 255 002	1 142 216
Employee Bursaries	438 509	252 782
Honoraria (voluntarily Workers)	26 920	22 300
Indigent Relief	4 536 580	2 294 397
Remuneration to Ward Committees	3 158 581	1 810 500
Road Worthy Test	7 662	3 787
Sitting Allowance for traditional Leaders	65 000	48 000
Signage	47 140	53 345
Workmens' Compensation Fund	733 364	1 237 779
Resettlement Cost	-	8 071
	31 859 312	**30 332 682**

45. Allowance of debt impairment

Allowance for debt impairment	43 051 015	51 121 242

Notes to the Financial Statements

Figures in Rand	2019	2018

46. Cash generated from operations

Surplus	11 337 410	16 013 863
Adjustments for:		
Depreciation and amortisation	52 153 517	50 635 496
Gain (loss) on sale of assets and liabilities	54 405	(22 877)
Fair value adjustments	(903 000)	(1 622 000)
Bad debts written off	2 725 747	12 434 859
Movements in retirement benefit assets and liabilities	1 867 000	944 000
Contributions to provisions	2 371 276	(842 759)
Donated assets	-	298 542
Previous year's operating transactions	(6 815 210)	(14 802 773)
Contributions: Post retirement medical and long service awards	1 950 193	989 000
Contributions: staff leave	3 839 065	5 457 527
Changes in working capital:		
Inventories	140 551	(408 932)
Receivables from exchange transactions	(2 330 894)	(2 354 414)
Receivables from non-exchange transactions	(9 313 101)	(5 878 007)
Payables from exchange transactions	1 729 965	(505 024)
VAT receivable	3 090 835	(2 199 522)
Unspent conditional grants and receipts	3 526 565	(93 061)
Consumer deposits	234 059	342 966
VAT Payable	190 311	1 849 826
	65 848 694	**60 236 710**

47. Retirement benefits

The municipality's personnel are members of one of the three Natal Joint Municipal Pension Funds i.e. (Superannuation, Provident and Retirement). The valuator carries out a statutory valuation once after every three years and an interim valuation on an annual basis.

The following valuations have been carried out:

Superannuation fund - interim on annual basis

Provident fund - interim on annual basis

Retirement fund - interim on annual basis

47.1 Superannuation

An Interim Actuarial Valuation of the fund was carried out for the period ending 31 March 2018 (31/03/2018).

47. Retirement benefits (continued)

For service to 31 March 2018	Pensioners	Members	Total
Assets	5 528 350 000	6 156 900 000	11 685 250 000
Liabilities	(5 528 350 000)	(6 156 900 000)	(11 685 250 000)
	-	-	-

Pensioners: Funding level - 101.7%

Members: Funding level - 100%

For services to 31 March 2017	Pensioners	Members	Total
Assets	5 245 567 000	5 808 471 000	11 054 038 000
Liabilities	(5 245 567 000)	(5 808 471 000)	(11 054 038 000)
	-	-	-

Pensioners: Funding level - 105.8%

Members: Funding level - 100%

Investment reserve	31 March 2018
Contribution reserve	31 834 000

Investment reserve	31 March 2017
Contribution reserve	21 221 000

Conclusion

1. The valuation reveals that the total Fund is 100% funded as at the valuation date at the overall level. The pensioner liabilities are fully funded and the liabilities in respect of active members are 100% funded.

2. The surcharge of 9.5% will continue to be paid for 8 years in terms of the "Scheme to Eliminate Deficiency", which was implemented from 1 August 2012, to eliminate the shortfall and then to build up sufficient solvency reserves.

3. It is necessary to retain the Contribution Reserve to hold assets equal to the expected shortfall, which was 0.32% of pensionable salaries at the valuation date.

47.2 Provident Fund

The salient features of the Statutory Actuarial Valuation Report on the fund as at 31 March 2018 and 31 March 2017 were that the net market value of the fund's assets were not sufficient to fully cover the members' share account share account and to provide total reserves of R4 181 870 000 and R3 368 539 000 respectively.

The liabilities of the fund exceed the assets as at 31 March 2018 , resulting in a small deficit of R76 188 000 while a surplus of R117 724 000 was reported at 31 March 2017 which represents -1.8% and 5.3% of liabilities and reserves in respective years .

This is a consequence of the smoothed bonus approach that is applied. The deficit was addressed after the valuation date by declaring lower bonuses that the investment earnings over that period, and the Fund has been restored to a fully funded position by 30 June 2018.

Conclusion

1) The actuary do not recommend that any final bonus be declared at the valuation date.

2) The Fund self-insures its death benefits and disability benefits.

3) The actuary is satisfied that the asset composition on the valuation date is appropriate.

4) Members are able to choose a rate of contribution between 5% and 9.25% of pensionable salaries.

Figures in Rand	2019	2018

47. Retirement benefits (continued)

47.3 Retirement Fund

The salient features of the Statutory Actuarial Valuation Report on the fund as at 31 March 2018 were:

The actuarial value of total assets of the fund was less than the actuarial value of the liabilities for the service of pensioners and members to that date by R160 817 000 (2017 - R190 385 000).

Made up as follows:

For service to 31 March 2018:

for pensioners - funding level 104.8% (2017 : funding level 107.2%)

for members - funding level 96.2% (2017 : funding level 88.8%) - deficit of R190 385 000 (2017 - R244 870 000)

The fund did not hold an investment reserve.

With effect from 01 July 2000, local authorities commenced paying a surcharge equal to 2% of pensionable salaries. It was subsequently increased each year and is currently (31/03/2018), for local authorities 20% (2017 - 20%), and members pay 1.65% (2017 - 1.65%).

The previous statutory valuation as at 31 March 2017 showed a deficit in the Fund. The employers and members are paying a surcharge of 21.65% of pensionable salaries (for all active members at 31 December 2002), which was expected to fund the deficit over a eight year period to 31 July 2020.

Even though a surcharge was paid during the valuation period, the funding level has not increased by as much as was expected. This is primarily as a result of high salary increases over the valuation period and a strengthening of the valuation basis

Conclusion

1) The Fund is 96.2% funded as at the valuation date (2017 - 95.3%) at the overall level. The pensioner liabilities are fully funded and the liabilities in respect of active members are 90.6% (2017 - 88.8%) funded. The financial position of Fund has thus improved since the previous valuation date

2) The actuary recommend that the surcharge continue to be paid in terms of the "Scheme to Eliminate Deficiency" to firstly eliminate the short fall and then build up sufficient solvency reserves.

3) The Fund self-insures its risks benefits.

48.4 Municipal Councillors' Pension Fund

The Municipal Councillors' Pension Fund operates as a defined contribution fund. The contributions paid by the members (13,75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future. The last valuation performed for the year ended 30 June 2012 revealed that the fund had an funding level of 99.5% (2009 - 102.0%).

Notes to the Financial Statements

Figures in Rand	2019	2018

48. Capital commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	-	6 047 754
• Community	1 235 592	444 062
• Other	-	33 195
	1 235 592	**6 525 011**

Not yet contracted for and authorised		
• Infrastructure	3 911 319	1 193 910
• Community	814 395	465 235
• Other	7 787 671	3 213 121
	12 513 385	**4 872 266**

Total capital commitments		
Approved and contracted for	1 235 592	6 525 011
Approved and not contracted for	12 513 385	4 872 266
	13 748 977	**11 397 277**

This expenditure will be funded as follows:		
Own resources	12 513 385	4 905 461
Government grants	1 235 592	6 491 816
	13 748 977	**11 397 277**

Operating leases

Minimum lease payments due		
• - Within one year	2 452 163	1 846 973
• - In second to fifth year inclusive	535 196	831 312
	2 987 359	**2 678 285**

Total operational commitments		
Already contracted for but not provided for	2 987 359	4 431 373

The municipality has concluded operating lease agreements with suppliers (for office equipment, weigh bridges and leasing of vehicles for political office bearers), which are required to be paid in installments.

Total commitments

Total commitments		
Authorised capital expenditure	13 748 977	11 397 277
Authorised operational expenditure	2 987 359	4 431 373
	16 736 336	**15 828 650**

49. Additional disclosure in terms of the Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1 247 797	1 142 224
Amount paid - current year	(1 247 797)	(1 142 224)
	-	-

Notes to the Financial Statements

Figures in Rand	2019	2018

49. Additional disclosure in terms of the Municipal Finance Management Act (continued)

Audit fees

Current year audit fees	1 921 485	2 590 822
Amount paid - current year	(1 921 485)	(2 590 822)
	-	-

PAYE and UIF

Current year payroll deduction	19 941 188	17 154 863
Amount paid - current year	(19 941 188)	(17 154 863)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	29 978 728	25 115 134
Amount paid - current year	(29 978 728)	(25 115 134)
	-	-

Value added tax		
VAT Receivable (Note 5)	2 546 744	5 637 579
VAT Payable (Note 16)	(3 102 142)	(2 911 831)
	(555 398)	**2 725 748**

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

49. Additional disclosure in terms of the Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
SS Ntsele	604	2 917	3 521
ML Govindsamy	1 465	839	2 304
	2 069	**3 756**	**5 825**

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
ML Govindsamy	1 242	5 979	7 221
SS Ntsele	1 858	52 400	54 258
	3 100	**58 379**	**61 479**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2019	Highest outstanding amount	Aging (in days)
SS Ntsele	2 917	120
ML Govindsamy	839	120
	3 756	**240**

30 June 2018	Highest outstanding amount	Aging (in days)
ML Govindsamy	5 979	120
SS Ntsele	52 400	120
	58 379	**240**

Notes to the Financial Statements

Figures in Rand	2019	2018

49. Additional disclosure in terms of the Municipal Finance Management Act (continued)

Deviation from supply chain management

The following deviations and ratifications of minor breaches of procurement processes were reported to Council in terms of Section 36(2) of the Supply Chain Management Policy:

Closed quotations/ tenders: (July 2018 to March 2019)	R0 - R20 000	R20 001 - R50 000	R50 001 - R100 000	R100 001 - R200 000	R200 001 and above	Total
July	14 764	-	-	118 073	-	132 837
August	65 242	-	-	-	-	65 242
September	39 467	-	-	108 963	-	148 430
October	25 976	57 234	73 600	-	-	156 810
November	28 327	65 611	-	-	-	93 938
December	27 550	-	-	-	-	27 550
January	27 934	-	-	-	-	27 934
February	4 750	62 722	-	-	-	67 472
March	26 974	120 362	114 377	-	-	261 713
April	-	-	103 500	-	752 632	856 132
May	11 892	-	80 000	277 087	-	368 979
June	40 288	-	-	174 800	-	215 088
Subtotal	313 164	305 929	371 477	678 923	752 632	2 422 125
	313 164	**305 929**	**371 477**	**678 923**	**752 632**	**2 422 125**

Closed quotations/ tenders: (July 2017 to June 2018)	R0 - R20 000	R20 001 - R50 000	R50 001 - R100 000	R100 001 - R200 000	R200 001 and above	Total
July	28 132	72 839	-	123 120	-	224 091
August	68 347	44 598	-	-	1 835 860	1 948 805
September	34 491	101 952	78 743	182 081	322 506	719 773
October	-	-	70 564	-	1 236 487	1 307 051
November	8 144	-	-	162 849	-	170 993
December	16 771	-	-	-	-	16 771
January	59 146	43 890	-	-	-	103 036
February	15 436	-	86 319	-	-	101 755
March	20 963	20 406	50 568	-	-	91 937
April	9 071	-	71 221	-	-	80 292
May	21 930	41 005	-	-	-	62 935
June	8 982	60 256	-	-	-	69 238
Subtotal	291 413	384 946	357 415	468 050	3 394 853	4 896 677
	291 413	**384 946**	**357 415**	**468 050**	**3 394 853**	**4 896 677**

50. Unauthorised expenditure

	2019	2018
Opening balance as previously reported	14 829 590	4 145
Opening balance as restated	**14 829 590**	**4 145**
Add: Unauthorised Expenditure - Current year	-	14 825 445
Closing balance	**14 829 590**	**14 829 590**

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

	2019	2018
Non-cash	-	14 829 590

Notes to the Financial Statements

Figures in Rand	2019	2018

50. Unauthorised expenditure (continued)

Analysed as follows: non-cash

Provision of impairment	-	12 779 466
Assets Impairment	-	2 045 979
	-	**14 825 445**

51. Irregular expenditure

Opening balance	1 549 617	34 688 592
Less amount written off 2017/18 (special Council Meeting -31 July 2018)	-	(33 841 491)
Less: Amount written off - (Council Meeting - 12 December 2017)	**1 549 617**	**847 101**
Less: Dolphin Coast Waste Management - it was incorrectly declared irregular as it was an extension of scope and complied with MFMA Circular 62	-	(329 271)
Less: Amount written off - (Council Meeting - 12 December 2017)	-	(140 490)
Less: Amounts written off- 2017/2018 (Special Council Meeting -31 July 2018)	-	(1 879 620)
Add: Irregular expenditure-current year	55 032 363	3 051 897
Less: Amount written off - current	(54 919 128)	-
Less: Amount written off - prior period	(547 143)	-
Closing balance	**1 115 709**	**1 549 617**

Incidents/cases identified in the current year include those listed below:

Contravention of Policy in the procurement of Consultant for construction projects	1 525 250
Non compliance with PPPFA Regulations on Local Content up on advertisement	14 072 846
No evidence of SCM Process that was followed in the appointment for construction of housing projects	39 321 032
No contract and no evidence of SCM process followed in the appoint of security services	113 235
	55 032 363

52. Fruitless and wasteful expenditure

Opening balance as previously reported	1 807 448	22 634
Opening balance as restated	**1 807 448**	**22 634**
Add: Fruitless Expenditure - Current year	6 920	1 802 099
Less: Amounts recoverable - current	(4 545)	(17 285)
Closing balance	**1 809 823**	**1 807 448**

53. Related parties

Parties are considered to be related if:

1) One party has the ability to control the other party, or

2) Exercise significant influence over the other party in making financial and operating decisions.

The following are awards above R2 000 made to close family members of people in the service of the state:		
Nkiza Business cc (Catering services) - The owner of the business is the wife of Councillor W P Mzimela	26 600	40 950

Notes to the Financial Statements

Figures in Rand	2019	2018

54. Electiorcity losses

Electricity losses		
Purchases of electricity (kilowatt hours)	52 989 545	52 718 038
Sale of electricity (kilowatt hours)	(47 633 508)	(46 046 494)
	5 356 037	**6 671 544**

Percentage loss 8.26% (2018 - 12.66%)

The national norm for the electricity losses is 5% to 10% (National Treasury Circular No. 71).

Rand value of electricity losses (5 356 037x0.97)	5 206 133	9 807 170

Electricity losses are caused by the following:

1) Street lights consumptions that are not metered

2) Tampering with electricity installations

3) Other technical losses contributes up to 5.5% of the total of electricity losses, such as substation equipment losses, transmission lines losses, MV and LV cable network losses, electricity meters, MV and LV ring main units losses, minisubs losses and transformers losses.

55. Financial risk management

Risk and exposure are disclosed as follows:

Credit risk exposure		
Cash and cash equivalent - maximum risk exposure	113 168 345	99 770 809

Note 1: The risk relating to short term deposits is minimised due to the nature of the municipal finance structure.

Note 2: The risk relating to cash and cash equivalents is minimised as the municipality only deposits cash with major banks with high quality credit standing.

Liquidity risk		
Consumer deposits	2 561 779	2 327 720
Payables from exchange transactions	38 024 107	34 260 469
VAT Payable	3 102 142	2 911 831
Unspent conditional grants and receipts	2 425 094	932 196
Loans payable	342 816	342 816
Employee benefits	11 617 054	9 245 778
	58 072 992	**50 020 810**

Current Assets	158 339 006	136 528 861
Current liabilities	58 072 992	50 020 810

Current assets as a percentage of current liabilities: 273% (2018- 272%)

Current assets to current liabilities ratio: 2.73:1 (2018 - 2.7:1)

The generally accepted norm for this ratio is 1.5:1. The higher the ratio, the more liquid the municipality, and the better chances of meeting short term debt with short term liquid resources.

Notes to the Financial Statements

Figures in Rand	2019	2018

56. Fair value adjustment

Fair value adjustment for invesment properties	903 000	1 622 000

57. Contingent Liabilities

Contingent liabilities as at 30 June 2018:

R Mall v uMlalazi Municipality (Ref: BU000). Claim arising from the alleged removal of certain structures on the Remainder of Erf 436, Eshowe to the amount of R50 000.

The Nigel Williamson Trust v uMlalazi Municipality (Ref: BU001). Claim arising from a property rates dispute on Erf 331, Mtunzini to the amount of R20 000.

SM Mathenjwa v uMlalazi Municipality. Claim arising from the possible unlawful dismissal of the Local Economic Development Officer in 2013 R305 516 (in the process of quantifying the monetary implecations).

Ighora Construction v uMlalazi Municipality. Claim arising from the termination of road construction contract at the King Dinuzulu Suburb to the amount of R10 754 222.

Sibgem v uMlalazi Municipality. Claim arising from the termination of Project Management Unit Services contract to the amount of R702 240.

Mgamule Consulting v uMlalazi Municipality. Claim arising from breach of consulting contract for the Kwabulawayo Sports field to the amount of R1 002 251.

Mucoque v uMlalazi Municipaity. Review of an arbitration award for reinstatement in the Labour Court.

58. Going concern

We draw attention to the fact that at 30 June 2019, the entity had an accumulated surplus (deficit) of R 897 914 982 and that the entity's total liabilities exceed its assets by R 906 334 802.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Municipality to continue as a going concern is dependent on a number of factors which includes among others the following:
a) The Municipality will continue charging rates in accordance withLocal Government: Municipal Property Rates Act.
b) National Treasury and other Procincial Departments will continue to provide Grants in terms of the Division of Revenue Act.
c) The Municipality did not loose any of its key suppliers.
d) The Municipality does not experience labour difficulties.
e) The Municipality does not have shortage of important Suppliers.
f) Financial indicators (ratios, financial results, bank account balance and net asset are all positive and within acceptable norms.

Schedule of external loans as at 30 June 2019

	Balance at 30 June 2018 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2019 Rand	Rand	Rand
Loan Stock	**-**	**-**	**-**	**-**	**-**	**-**
Structured loans	**-**	**-**	**-**	**-**	**-**	**-**
Funding facility	**-**	**-**	**-**	**-**	**-**	**-**
Development Bank of South Africa						
	3 888 184	-	342 816	3 545 368	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	3 888 184	**-**	**342 816**	**3 545 368**	**-**	**-**
Bonds	**-**	**-**	**-**	**-**	**-**	**-**
Other loans	**-**	**-**	**-**	**-**	**-**	**-**
Lease liability	**-**	**-**	**-**	**-**	**-**	**-**
Annuity loans	**-**	**-**	**-**	**-**	**-**	**-**
Government loans	**-**	**-**	**-**	**-**	**-**	**-**
Total external loans	**3 888 184**	**-**	**342 816**	**3 545 368**	**-**	**-**

UMLALAZI MUNICPALITY
Appendix B

Analysis of Property Plant and Equipment for the Year Ended 30 June 2019

	Cost / Revaluation								Accumulated Depreciation				Accumulated Impairment					
	Opening Balance	Additions infrastructure	AUC released	Additions	Revaluation	Donated assets	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value	Carrying Value
	30/06/2018	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019	30/06/2018	2018/2019	2018/2019	2018/2019	30/06/2018	2018/2019	2018/2019	2018/2019	2018/2019	30/06/2018
	R	R		R	R	R	R	R	R	R	R	R		R	R	R	R	R
Land	129 586 164	-	-	-	-	-	-	129 586 164	-	-	-	-	-	-	-	-	**129 586 164**	**129 586 164**
Community assets	327 689 750	-	22 601 645	588 951	-	-	-	350 880 346	-100 686 865	-16 352 562	-	-117 039 427	-5 524 995	-6 874 291	-	-12 399 286	**221 441 634**	**221 477 891**
Vehicles	28 463 692	-	-	4 514 920	-	-	- -	32 978 612	-17 504 123	-3 256 897	-	-20 761 020	-80 624	-319	-	-80 943	**12 136 649**	**10 878 945**
Roads	499 756 809	-	18 144 517	-	-	-	-	517 901 326	-179 104 188	-16 360 052	-	-195 464 240	-4 733 108	-	-	-4 733 108	317 703 977	315 919 514
Bridges: Pedestrian	220 490	-	-	-	-	-	-	220 490	-14 075	-5 290	-	-19 365	-	-	-		201 123	206 414
Bridges: Vehicles	6 273 576	-		-	-	-	-	6 273 576	-1 815 563	-257 603	-	-2 073 166	-43 615	-	-	-43 615	4 156 795	4 414 398
Roads: Asphalt basis/structure	133 651 211	-	1 634 015	-	-	-	-	135 285 226	-67 241 533	-3 678 941	-	-70 920 474	-263 254	-	-	-263 254	64 101 498	66 146 424
Roads: Asphalt surface	107 317 755	-	11 971 503	-	-	-	-	119 289 258	-20 423 250	-4 503 897	-	-24 927 148	-809 666	-	-	-809 666	93 552 444	86 084 839
Causeways	11 997 056	-	-	-	-	-	-	11 997 056	-3 457 505	-596 670	-	-4 054 175	-	-	-		7 942 880	8 539 551
Roads: Earthworks	98 861 236	-	-	-	-	-	-	98 861 236	-47 054 748	-3 177 264	-	-50 232 012		-	-	-	48 629 224	51 806 488
Roads: Gravel surface	25 176 065	-	4 048 855	-	-	-	-	29 224 920	-12 714 473	-2 705 573	-	-15 420 046	-2 877 717	-	-	-2 877 717	10 927 157	9 583 875
Roads: Kerb and channels	35 202 117	-	-	-	-	-	-	35 202 117	-22 516 862	-1 000 649	-	-23 517 511	-177 834	-	-	-177 834	11 506 772	12 507 421
Land - Road reserve	69 502 363	-	-	-	-	-	-	69 502 363	-	-	-	-	-	-	-		69 502 363	69 502 363
Roads: Pedestrian footpaths	4 882 719	-	59 519	-	-	-	-	4 942 238	-1 622 681	-166 658	-	-1 789 339	-557 075	-	-	-557 075	2 595 824	2 702 963
Road calming measures	781 088	-	-	-	-	-	-	781 088	-454 829	-22 799	-	-477 629	-	-	-		303 459	326 258
Speed humps	1 070 592	-	28 496	-	-	-	-	1 099 088	-165 281	-39 310	-	-204 591	-3 490	-	-	-3 490	891 007	901 821
Roads: Street lighting	3 583 875	-	-	-	-	-	-	3 583 875	-1 408 310	-119 655	-	-1 527 965	-458	-	-	-458	2 055 452	2 175 107
Roads: Traffic lights	469 020	-	-	-	-	-	-	469 020	-178 954	-20 563	-	-199 517	-	-	-		269 503	290 066
Roads: Traffic signs	767 648	-	402 129	-	-	-	-	1 169 777	-36 122	-65 180	-	-101 302	-	-	-		1 068 475	731 526
Storm water	100 013 263	-	6 625 378	-	-	-	-	106 638 641	-54 526 701	-3 151 348	-	-57 678 049	-1 469 577	-	-	-1 469 577	47 491 016	44 016 986
Channels	45 674 074	-	455 413	-	-	-	-	46 129 487	-18 625 908	-1 512 901	-	-20 138 808	-1 349 921	-	-	-1 349 921	24 640 758	25 698 246
Kerb inlets	8 458 706	-	2 347 612	-	-	-	-	10 806 318	-5 996 365	-261 011	-	-6 257 376	-12 030	-	-	-12 030	4 536 911	2 450 310
Masonry structures	4 521 561	-	1 795 936	-	-	-	-	6 317 497	-2 067 541	-238 731	-	-2 306 272	-14 664	-	-	-14 664	3 996 562	2 439 356
Pipes	31 839 680	-	-	-	-	-	-	31 839 680	-21 227 132	-685 420	-	-21 912 552	-128	-	-	-128	9 927 000	10 612 420
RC Structures	9 519 243	-	2 026 417	-	-	-	-	11 545 659	-6 609 754	-453 286	-	-7 063 040	-92 835	-	-	-92 835	4 389 785	2 816 654
Electrical	68 886 633	-	-	1 180 439	-	-	-37 846	70 029 226	-26 009 302	-2 534 728	20 708	-28 523 322	-1 363 411	-296 222	-	-1 659 633	39 846 271	41 513 920
Cables	15 966 969	-	-	-	-	-	-	15 966 969	-8 294 754	-530 281	-	-8 825 034		-	-		7 141 935	7 672 215
Mini sub stations	13 951 510	-	-	-	-	-	-	13 951 510	-4 553 581	-485 720	-	-5 039 301	-173 689	-117 479	-	-291 168	8 621 040	9 224 240
Perimeter protection	218 592	-	-	-	-	-	-	218 592	-171 070	-12 693	-	-183 762		-	-		34 830	47 522
Prepaid electricity meters	-	-	-	-	-	-	-	-	-	-	-	-		-	-		-	-
Ring main unit	2 101 779	-	-	1 051 189	-	-	-	3 152 968	-464 326	-83 574	-	-547 900	-69 245	-7 061	-	-76 306	2 528 762	1 568 208
Substation switchgear	25 495 681	-	-	129 250	-	-	-	25 624 931	-8 061 710	-881 290	-	-8 943 001	-920 483	-104 072	-	-1 024 555	15 657 375	16 513 487
Substation	3 563 941	-	-	-	-	-	-	3 563 941	-1 095 458	-138 373	-	-1 233 831	-117 814	-	-	-117 814	2 212 296	2 350 669
Transformers	7 588 161	-	-	-	-	-	-37 846	7 550 315	-3 368 403	-402 798	20 708	-3 750 492	-82 180	-67 609	-	-149 789	3 650 034	4 137 579
Computer equipment	11 601 479	-	-	1 748 709	-	-	-71 042	13 279 146	-4 392 632	-1 530 075	40 740	-5 881 966	-21 668	-	-	-21 668	7 375 512	**7 187 180**
Furniture and equipment	7 729 174	-	-	543 731	-	-	-	8 272 905	-4 578 607	-783 506	-	-5 362 114	-136 304	-2 743	-	-139 047	2 771 744	**3 014 266**
Machinery and equipment	6 595 996	-	-	1 226 114		-	-95 138	7 726 972	-3 964 381	-765 778	84 349	-4 645 810	-16 134	-153	1 620	-14 667	3 066 495	**2 615 482**
Assets under construction(Note 8)	23 536 585	42 586 845	-47 371 539	-	-	-	-	18 751 891	-	-	-	-	-	-	-	-	**18 751 891**	**23 536 585**
Property, plant and equipment (Note 7)	1 203 859 545	42 586 845		9 802 865	-	-	-204 026	1 256 045 230	-390 766 798	-44 734 947	145 797	-435 355 948	-13 345 821	-	-	-20 517 929	**800 171 347**	**799 746 927**
Heritage assets (Note 12)	10 311 344	-	-	-	-	-	-	10 311 344	-	-	-	-	-	-	-	-	**10 311 344**	**10 311 344**
Investment properties (Note 11)	17 879 000	-	-	-	903 000	-	-	18 782 000	-	-	-	-	-	-	-	-	**18 782 000**	**17 879 000**
Intangible assets (Note 10)	1 200 818		-	336 250	-	-	-	1 537 068	-719 240	-244 841	-	-964 081	-	-	-	-	**572 987**	**481 578**
	1 233 250 707	**42 586 845**	**-**	**10 139 115**	**903 000**	**-**	**-204 026**	**1 286 675 642**	**-391 486 038**	**-44 979 788**	**145 797**	**-436 320 029**	**-13 345 821**	**-**	**-**	**-20 517 929**	**829 837 679**	**828 418 849**

UMLALAZI MUNICPALITY
Appendix C

Segmental Statement of Financial Performance

	2019 Actual Income R	2019 Actual Expenditure R	2019 (Surplus)/Deficit R	2018 Actual Income R	2018 Actual Expenditure R	2018 (Surplus)/Deficit R
Executive and council	211 639 441	83 083 293	128 556 148	196 724 726	73 343 856	123 380 869
Finance and administration	68 238 974	52 217 892	16 021 082	60 921 779	43 791 328	17 130 451
Internal audit	-	2 594 992	-2 594 992	-	2 310 252	-2 310 252
Community and social services	5 290 488	17 658 518	-12 368 030	4 535 306	17 735 089	-13 199 783
Sport and recreation	25 502	16 981 861	-16 956 359	347 727	18 140 100	-17 792 373
Public safety	40 120 551	68 215 349	-28 094 798	4 073	10 182 343	-10 178 271
Housing	37 686 945	39 051 736	-1 364 791	190 508	1 159 203	-968 694
Planning and development	2 764 678	12 003 388	-9 238 711	2 301 452	11 123 701	-8 822 249
Road transport	3 480 839	48 840 288	-45 359 449	52 524 487	116 907 566	-64 383 079
Waste management	15 531 952	27 148 499	-11 616 547	14 400 547	24 558 133	-10 157 586
Energy sources	78 898 994	84 176 271	-5 277 277	74 528 240	70 839 257	3 688 983
Other		4 361	-4 361	-	6 570	-6 570
Waste water management	-	364 507	-364 507	-	367 580	-367 580
Total	**463 678 363**	**452 340 954**	**11 337 410**	**406 478 845**	**390 464 978**	**16 013 867**

UMLALAZI MUNICPALITY
Appendix D (1)

Actual Compared With Budgeted Revenue and Expenditure

	Budget R	Actual R	Variance R	Variance %
Revenue				
Revenue from exchange transactions				
Service charges	77 102 200	80 994 217	-3 892 017	-5%
Rental facilities and equipment	1 378 040	1 622 412	-244 372	-18%
Interest earned - external investments	4 890 990	4 787 326	103 664	2%
Agency service	3 934 690	3 480 839	453 851	12%
Licences and permits	64 410	10 118	54 292	84%
Other Income	7 310 460	1 940 027	5 370 433	73%
Gain on disposal of assets and liabilities		2 203	-2 203	
Fair value adjustments	1 500 000	903 000	597 000	
Total revenue from exchange transactions	**96 180 790**	**93 740 142**	**2 440 648**	
Revenue from non- exchange transactions				
Taxation revenue				
Property rates	53 346 390	54 035 045	-688 655	-1%
Licences and permits (non-exchange)	12 630	10 870	1 760	14%
Fines and penalties	43 716 810	44 527 666	-810 856	-2%
Transfer revenue				
Government grants & subsidies	277 875 370	271 364 641	6 510 729	2%
Public contributions, donated and contributed PPE			-	
Total revenue from non-exchange transactions	**374 951 200**	**369 938 221**	**5 012 979**	
Total revenue	**471 131 990**	**463 678 363**	**7 453 627**	
Expenditure				
Executive and council	83 684 920	83 083 293	601 627	1%
Finance and administration	57 400 785	52 217 892	5 182 893	9%
Internal audit	2 627 240	2 594 992	32 248	1%
Community and social services	18 012 640	17 658 518	354 122	2%
Sport and recreation	17 954 795	16 981 861	972 934	5%
Public safety	68 581 370	68 215 349	366 021	1%
Housing	40 668 560	39 051 736	1 616 824	4%
Planning and development	13 607 640	12 003 388	1 604 252	12%
Road transport	50 545 620	48 840 288	1 705 332	3%
Waste management	27 658 580	27 148 499	510 081	2%
Energy sources	84 517 920	84 176 271	341 649	0%
Other	15 570	4 361	11 209	72%
Waste water management	438 900	364 507	74 393	17%
Total expenditure	465 714 540	452 340 954	13 373 586	
Surplus for the year	**5 417 450**	**11 337 410**	**-5 919 960**	

UMLALAZI MUNICPALITY

Appendix D (2)

Actual versus budget - acquisition of property plant and equipment

	2019 Actual R	2019 Under Construction R	2019 Additions R	2019 Budget R	2019 Variance R	2019 Variance %
Executive and council	-		-	-	-	0%
Finance and administration	2 259 656		2 259 656	2 759 200	499 544	18%
Internal audit	-		-	-	-	0%
Community and social services	11 959 413	721 696	11 237 717	13 959 460	2 000 047	14%
Sport and recreation	15 927 133	8 571 847	7 355 287	19 666 470	3 739 337	19%
Public safety	2 009 734		2 009 734	2 436 000	426 266	17%
Housing	-		-	-	-	0%
Planning and development	616 899		616 899	795 990	179 091	22%
Road transport	15 780 200	522 206	15 257 994	26 232 290	10 452 090	40%
Waste management	1 126 083		1 126 083	1 377 840	251 757	18%
Energy sources	1 610 091		1 610 091	1 984 200	374 109	19%
Other - air field	-		-	-	-	0%
Waste water management	1 436 748	1 436 748	-	3 000 000	1 563 252	52%
	52 725 957	**11 252 496**	**41 473 461**	**72 211 450**	**19 485 493**	

UMLALAZI MUNICPALITY
Appendix E
Disclosure of Grants and Dubsidies In Terms Of Section 123 of MFMA (Act No. 56 of 2003)

DEPARTMENT OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS						
DETAILS	OPENING BALANCE	ROLL-OVER (NOT APPROVED)	RECEIVED	EXEPENDITURE TRANSFERRED TO REVENUE	ADJUSTMENT	UNSPENT
Disaster management grant	-	-	-	-	-	-
Support to community sevice centres grant	-16 123	-	-	16 123	-	-
Small town rehabilitation grant	-	-	-	-	-	-
GIS SoftWare Grant	-495 987	-	-	437 000	-	-58 987
Spatial Development Framework Grant	-	-	-1 000 000	407 000	-	-593 000
	-512 110	**-**	**-1 000 000**	**860 123**	**-**	**-651 987**

NATIONAL TREASURY						
DETAILS	OPENING BALANCE	APPROVED ROLL-OVER (NOT	RECEIVED	EXEPENDITURE TRANSFERRED TO REVENUE	ADJUSTMENT	UNSPNT
Municipal Systems Improvement Grant	-	-	-	-	-	-
Municipal Infrastructure Grant	-	-	-49 108 000	47 755 781	-	-1 352 219
Financial Management Grant	-	-	-1 770 000	1 769 198	-	-802
Expanded Public Works Programme Integrated Grant	-	-	-3 212 000	3 212 000	-	-0
	-	**-**	**-54 090 000**	**52 736 980**	**-**	**-1 353 020**

DEPARTMENT OF HUMAM SETTLTEMENTS						
DETAILS	OPENING BALANCE	ROLL-OVER (NOT APPROVED)	RECEIVED	EXEPENDITURE TRANSFERRED TO REVENUE	ADJUSTMENT	UNSPNT
Sunnydale Low Cost housing grant	-393 972	-	-	-	-	-393 972
Rural Housing project grant	-	-	-39 445 206	37 411 539	-	-2 033 667
	-393 972	**-**	**-39 445 206**	**37 411 539**	**-**	**-2 427 639**

DEPARTMENT OF ARTS AND CULTURAL						
DETAILS	OPENING BALANCE	ROLL-OVER (NOT APPROVED)	RECEIVED	EXEPENDITURE TRANSFERRED TO REVENUE	ADJUSTMENT	UNSPNT
Museum subsidies	-	-	-368 000	368 000	-	-
Provincialisation of Libraries	-	-	-4 190 000	4 190 000		-
Community Library Services Grant	-	-	-420 000	420 000		-
	-	**-**	**-4 978 000**	**4 978 000**	**-**	**-**

DEPARTMENT OF SPORT AND RECREATION						
DETAILS	OPENING BALANCE	APPROVED ROLL-OVER (NOT	RECEIVED	EXEPENDITURE TRANSFERRED TO REVENUE	ADJUSTMENT	UNSPNT
Maintenance of sport facilities grant	-		-	-	-	-
Sports facilities grant	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**

DEPARTMENT OF MINERALS AND ENERGY						
DETAILS	OPENING BALANCE	APPROVED ROLL-OVER (NOT APPROVED)	RECEIVED	EXEPENDITURE TRANSFERRED TO REVENUE	ADJUSTMENT	UNSPNT
Integrated national electrification programme grant	-	-	-10 000 000	10 000 000	-	-
	-	**-**	**-10 000 000**	**10 000 000**	**-**	**-**

KIND CETSHWAYO DISTRICT MUNICIPALITY						
DETAILS	OPENING BALANCE	APPROVED ROLL-OVER (NOT APPROVED)	RECEIVED	EXEPENDITURE TRANSFERRED TO REVENUE	ADJUSTMENT	UNSPNT
Coastal Management Programme Grant	-17 214	-	-	-	-	-17 214
Informal Traders Training Grant	-8 900	-	-	-	-	-8 900
	-26 114	**-**	**-**	**-**	**-**	**-26 114**

TOTAL GRANTS	**-932 196**	**-**	**-109 513 206**	**105 986 641**	**-**	**-4 458 760**